

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

In the Matter of:

Complaint No. 343058

WELTHER OAKS, LLC
Unregistered

Respondent.

This 14th day of February, 2021

Issued and entered

NOTICE AND ORDER TO CEASE AND DESIST

Linda Clegg, the Director (“Administrator”) of the Corporations, Securities & Commercial Licensing Bureau (“Bureau”), pursuant to her statutory authority and responsibility to administer and enforce the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq.* (“Securities Act”), orders Welther Oaks, LLC (“Respondent”) to cease and desist from offering or selling unregistered securities and from making untrue statements of material facts in connection with the offer or sale of securities, contrary to the Securities Act. Respondent is notified of the opportunity to request a hearing in this matter.

I. BACKGROUND

A. The Respondent

1. Welther Oaks, LLC is a Michigan-organized limited liability company associated with Ali Bazzi. Respondent is not registered in any capacity under the Securities Act and has not registered any securities offerings under the Securities Act.

B. Findings of Fact

1. The Bureau investigated Respondent’s activities under the Securities Act in Michigan after receiving a consumer complaint.
2. The investigation developed evidence that Respondent, while in Michigan and by Ali Bazzi, offered multiple Welther Oaks, LLC investment contract

securities to California investors¹. These investment contracts purportedly involved Respondent and Ali Bazzi using investor funds to trade in foreign currency exchange (“FOREX”) and precious metals, with trading profits to be shared among the investors and Mr. Bazzi.

3. The Welther Oaks, LLC investment contracts were not registered under the Securities Act and Respondent and Ali Bazzi have not identified a relevant exemption, exception, preemption or exclusion justifying the failure to register.
4. The investigation developed evidence that Respondent, by Ali Bazzi, made an untrue statement of material fact in connection with the offer or sale of a security by falsely stating that it and Mr. Bazzi were registered when they did not hold any relevant securities or commodities registrations. A reasonable investor might consider the false statement about registration statuses important when making an investment decision.
5. The investigation developed evidence that Respondent, by Ali Bazzi, made an untrue statement of material fact in connection with the offer or sale of a security by falsely stating to investors that they could withdraw their investments after one month of trading, when in fact, Respondent and Mr. Bazzi would refuse to process investment withdrawal requests. A reasonable investor might consider the false statement about the ability to withdraw funds from the investment to be important when making an investment decision.

II. RELEVANT STATUTORY PROVISIONS

1. Section 102c(c) of the Securities Act, MCL 451.2102c(c), defines “Security” in part as:

a note; stock; treasury stock; security future; bond; debenture; evidence of indebtedness; certificate of interest or participation in a profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; put, call, straddle, option, or privilege on a security, certificate of deposit, or group or index of securities, including an interest in or based on the value of that put, call, straddle, option, or privilege on that security, certificate of deposit, or group or index of securities, put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, an investment in a viatical or life settlement agreement; or, in general, an

¹ One investor was 60 years of age or older at the time of the investments, causing the applicability of enhanced penalties under MCL 451.2604.

interest or instrument commonly known as a "security"; or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing...

(v) The term includes an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor. As used in this subparagraph, a "common enterprise" means an enterprise in which the fortunes of the investor are interwoven with those of either the person offering the investment, a third party, or other investors.

2. Section 301 of the Securities Act, MCL 451.2301, states:

A person shall not offer or sell a security in this state unless 1 or more of the following are met:

- (a) The security is a federal covered security.
- (b) The security, transaction, or offer is exempted from registration under sections 201 to 203.
- (c) The security is registered under this act.

3. Section 501 of the Securities Act, MCL 451.2501, states:

It is unlawful for a person, in connection with the offer, sale, or purchase of a security or the organization or operation of a Michigan investment market under article 4A, to directly or indirectly do any of the following:

- (a) Employ a device, scheme, or artifice to defraud.
- (b) Make an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
- (c) Engage in an act, practice, or course of business that operates or would operate as a fraud or deceit on another person.

III. CONCLUSIONS OF LAW

1. Respondent Welther Oaks, LLC offered and sold investment contract securities in Michigan which were not federal covered, exempt from registration, or registered, in violation of section 301 of the Securities Act, MCL 451.2301.
2. Respondent Welther Oaks, LLC, by Ali Bazzi, made an untrue statement of material fact in connection with the offer and sale of a security by stating that it and Ali Bazzi were registered to engage in investment activities when they were not registered in any capacity under securities or commodities

laws. The statement was untrue, material, and made in connection with the offer or sale of a security in violation of section 501(b) of the Securities Act, MCL 451.2501(b).

3. Respondent Welther Oaks, LLC, by Ali Bazzi, made an untrue statement of material fact in connection with the offer or sale of a security when it represented that investors could withdraw investment funds after a month of trading had occurred, but then later refused to process a withdrawal at the investor's request. The statement was untrue, material, and made in connection with the offer or sale of a security in violation of section 501(b) of the Securities Act, MCL 451.2501(b).

IV. ORDER

IT IS THEREFORE ORDERED, pursuant to section 604 of the Securities Act, MCL 451.2604, that:

- A. Respondent shall immediately CEASE AND DESIST from offering and selling unregistered securities and from making untrue statements of material facts in connection with the offer or sale of a security, contrary to the Securities Act.
- B. Pursuant to section 604(2) of the Securities Act, this Notice and Order to Cease and Desist is IMMEDIATELY EFFECTIVE.
- C. In her Final Order, the Administrator, under section 604(4) of the Securities Act, MCL 451.2604(4), intends to impose a civil fine of \$60,000.00 against Respondent.
- D. Pursuant to section 508 of the Securities Act, MCL 451.2508, a person that willfully violates the Securities Act, or an order issued under the Securities Act, is guilty of a felony punishable by imprisonment for not more than 10 years or a fine of not more than \$500,000.00 for each violation, or both. An individual convicted of violating a rule or order under this act may be fined, but shall not be imprisoned, if the individual did not have knowledge of the rule or order.
- E. The Administrator retains the right to pursue further administrative or civil action against Respondent under the Securities Act if the Administrator determines that such action is necessary and appropriate in the public interest, for the protection of investors and is authorized by the Securities Act.

V. NOTICE OF OPPORTUNITY FOR HEARING

Section 604 of the Securities Act, MCL 451.2604, provides that Respondent has 30 days beginning with the first day after the date of service of this Notice and Order to Cease and Desist to submit a written request to the Administrator asking that this matter be scheduled for a hearing. If the Administrator receives a written request in a timely

manner, the Administrator shall schedule a hearing within 15 days after receipt of the request. The written request for a hearing must be addressed to:

Corporations, Securities & Commercial Licensing Bureau
Regulatory Compliance Division
P.O. Box 30018
Lansing, MI 48909

By email to CSCL-FOIA@michigan.gov

VI. ORDER FINAL ABSENT HEARING REQUEST

A. Under section 604 of the Securities Act, MCL 451.2604, the Respondent's failure to submit a written request for a hearing to the Administrator within 30 days after the service date of this **NOTICE AND ORDER TO CEASE AND DESIST** shall result in this order becoming a **FINAL ORDER** by operation of law. The **FINAL ORDER** includes the imposition of the fines cited described in section IV.C., and the fine amounts set forth below will become due and payable to the Administrator within sixty (60) days after the date this order becomes final:

\$60,000.00 – Welther Oaks, LLC, under section 604 of the Securities Act, MCL 451.2604.

B. CIVIL FINE payments should be payable to the STATE OF MICHIGAN and contain identifying information (e.g., names and complaint numbers) and mailed to the following address:

Corporations, Securities & Commercial Licensing Bureau
Final Order Monitoring
P.O. Box 30018
Lansing, MI 48909

B. Failure to comply with the terms of this Order within the time frames specified may result in additional administrative penalties, including the summary suspension or continued suspension of all registrations held by Respondent under the Securities Act, the denial of any registration renewal, and/or the denial of any future applications for registration, until full compliance is made. Respondent may voluntarily surrender or withdraw a registration under the Securities Act; however, the surrender or withdrawal will not negate the summary suspension or continued suspension of the relevant registrations or any additional administrative proceedings if a violation of this Order or the Securities Act occurred.

C. Failure to pay the civil fines within six (6) months after this Order becomes final may result in the referral of the civil fines to the Michigan Department of Treasury for collection action against Respondent.

DEPARTMENT OF LICENSING & REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

Linda Clegg

Linda Clegg, Administrator and Director
Corporations, Securities & Commercial
Licensing Bureau

2/11/2021

Date